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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of

Amendment of the Commission's)
Rules and Policies to Increase) CC Docket No. 95-115
Subscribership and Usage of the)
Public Switched Network)

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COMMENTS OF EARTHCALL COMMUNICATIONS CORPORATION

EarthCall Communications Corporation ("ECC"), by its counsel, submits these Comments in response to the Federal Communications Commission's ("FCC") Notice of Proposed Rulemaking, FCC No. 95-281, released July 20, 1995 ("NPRM").

INTRODUCTION

ECC supports the FCC's efforts to find cost-effective, pro-competitive ways to increase subscribership to and usage of the public switched network ("PSN"). ECC urges the FCC to avoid attempting to solve the current problem by imposing a solution upon the market by government fiat -- such as the Pennsylvania plan. Instead, ECC believes that the Commission should adopt policies that promote the development of market-based, consumer-friendly solutions, such as prepayment options, which enhance consumer choices and access to the PSN without imposing unreasonable burdens on particular segments of the telecommunications industry. Thus, ECC believes that local service should be unbundled from long distance and that toll blocking should be available at a low, one time only, cost. Other services such as touchtone service, for which an extra fee

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typically is charged, should be made available at no charge or for a one time fee.

In such an environment, ECC believes that PSN access and other telecommunications services can effectively be provided to low-income individuals at the lowest possible cost. The prepaid communications technology developed by ECC, which is now used extensively by prepaid communications services providers, is particularly well-suited to that task; it can be adapted to provide both local and long distance telephone service to any party at competitive rates from the carrier of their choice. ECC currently is developing -- and hopes soon to introduce -- such a system for serving large numbers of individuals who are not currently reaping the benefits of advanced technology and, more importantly, lack a basic connection to the PSN. ECC's prepaid systems technology is an ideal means to permit low-income and highly-mobile individuals to obtain telephone service and to participate in the information age.

I. PREPAID COMMUNICATIONS ARE A HIGHLY EFFECTIVE MEANS TO INCREASE SUBSCRIBERSHIP TO AND USAGE OF THE PSN, PARTICULARLY AMONG LOW-INCOME AND HIGHLY MOBILE INDIVIDUALS.

Prepaid communications are ideally suited to help meet the FCC's goal of finding cost-effective, efficient, low-risk, and pro-competitive ways to increase subscribership to and usage of the PSN. Prepayment eliminates costs associated with traditional after-the-fact billing and collection. This cost effectiveness permits prepaid communications to be provided at lower rates,

which enhances the attractiveness to all income populations, but particularly the low-income population. See NPRM at ¶ 6.

Prepayment permits tailoring "narrow, targeted solutions" to the problems of connecting and retaining low-income and highly-mobile individuals. See id. at ¶ 3. Prepaid communications remove the risk to carriers, particularly interexchange carriers, of non-payment. Because the risk is appreciably lower, deposits are unnecessary. See id. at ¶ 7. Removing such high-cost obstacles to connection (and reconnection) would immediately benefit disenfranchised users.

In addition, prepayment could be a compromise position for those individuals who currently opt not to subscribe to telephone service. These individuals are likely to require some level of telephone use at some time. The availability of a prepaid debit card (or PIN) would permit these individuals selectively to enfranchise themselves with less intrusion than a traditional subscription. See id. at ¶ 3.

Prepayment is an effective way to help control long distance use and guards against the need for disconnection. See id. at ¶ 8, 12. It permits consumers to budget more effectively and provides them with information on account status and rate of consumption that traditional billing and collection cannot offer. See id. at ¶ 11-15. Prepayment is a better method than simply prohibiting disconnection for failure to pay long distance charges. The Pennsylvania program, for example, does not address the issue of how individuals (and carriers) can control costs.

Rather, such programs are artificial solutions that merely alleviate the major symptom of non-subscribership. See id. at ¶ 10.

ECC urges the FCC not to adopt a program like Pennsylvania's, that prohibits disconnection for failure to pay long distance charges. If the FCC intervenes in the marketplace, the purpose should be to enhance competition and eliminate, rather than increase, the distortions that already are present. Moreover, no real benefits are conferred by the artificial solution of programs like Pennsylvania's. Long distance carriers are left with uncollectible charges, users are left without long distance service and, as an inevitable consequence, competition suffers.

One significant distortion in the current system is the manner in which RBOCs are permitted to charge for certain "features" and "services." For example, ECC believes that, given the immense proliferation of touchtone and the virtual disappearance of rotary dial, there is no legitimate basis to permit LECs to continue to charge extra fees for touchtone service. Nor is there any economic justification for permitting LECs to charge monthly fees for toll restrictions. The costs associated with blocking to implement toll restrictions are minimal at best and are non-recurring. These are examples of the market distortions that the FCC should seek to eliminate.

Thus, EarthCall supports unbundling local service from long distance service, see id. at ¶ 29, and permitting users to opt --

with only a one-time up-front charge -- to restrict their long distance usage to particular types of calls. See id. at ¶ 17. The ability to disseminate the benefits of prepaid technology on a wide scale will depend on the ability to implement voluntary toll restrictions in an affordable manner. Calls for which the user is not charged should be routinely available, as should the ability to designate a prepaid PIC with blocking to all other long distance service. See id. at ¶ 29.

Such measures are critical to developing a marketplace that is truly competitive and services that benefit all users. To this end, ECC urges the FCC to recognize that, while the proliferation of debit cards has brought new options to consumers (particularly low-income and highly mobile), it does not go far enough to solve subscribership and usage issues. Debit cards afford access, but also involve higher switching costs than direct, home-based subscribership, which maximizes the cost efficiency of prepayment.

The creation of new service/tariff packages through user-designated restrictions and blocking is a pro-competitive measure that will enhance competition in local exchange services. In a competitive local services environment, the ability to tailor service packages to customers' needs will provide a way for competitors to distinguish themselves and incentive for consumers to seek the level of service that best meets their needs and budgets. See id. at ¶ 19.

II. ECC'S PREPAID SYSTEMS TECHNOLOGY IS IDEALLY SUITED TO ADDRESS THE FCC'S CONCERNS REGARDING SUBSCRIBERSHIP AND USAGE OF THE PSN.

Prepaid communications can be adapted beyond retail distribution of debit cards to permit disconnected, low-income and/or highly mobile parties to "subscribe" to telephone service and "presubscribe" to the carrier of their choice. ECC has adapted existing prepaid communications technology and combined it with the financial industry's electronic funds-transfer technology and the telecommunications industry's presubscription process to permit both local and long distance service to be prepaid. Specifically, ECC proposes to provide prepaid services on a wide scale, using low-cost and efficient electronic funds transfer to distribute funds between participating carriers and employing the ANI plus a four-digit security code to identify the user. This system provides the benefits of efficiency, competition, choice and advanced technology to all users, particularly to low-income and highly-mobile users.

Debit card service providers have demonstrated over the past several years that the distribution of debit telecommunications cards and PIN numbers is easy and efficient. Many convenience stores, check-cashing stores and other local merchants distribute prepaid, debit cards today. Telephone debit services are most prevalent in low-income areas and areas that reach those with impermanent living situations.

ECC's proposed distribution and collection system will eliminate many difficulties of current systems. With a nominal amount of money, an individual end user will be able to visit a local merchant, bank, telephone company or even a social service agency and, in an amount that he or she sets, prepay (or add value to) his or her base account to obtain a debit PIN number and/or card that will provide for his or her local and/or long distance service for the following month -- whether as 1+ residential service, travel card service, or both. Only those users whose living or travel circumstances involve extreme mobility need be issued a physical card with their PIN number. The user will select (or change) his or her carriers, which will be identified to the distributor through the CIC codes and linked to the PIN number assigned when service is purchased^{1/}.

Initial payments as well as renewals will be entered into a centralized card database via computer, card swipe point-of-sale terminal, or touchtone telephone via an 800 number. Service will be available almost immediately. Distributors will deposit payments, that will be electronically transferred on a regular basis, less service fees, into an ECC account. Local and long distance carriers will be compensated from the ECC account on a regular basis via electronic transfer or bank check, and will

^{1/}In the first phase of ECC's proposed system, users will prepay only long distance service, and will designate the debit service provider as their long distance carrier. Once the program is established, it can be expanded to permit the user to designate any carrier, local or long distance.

receive summary usage statements to substantiate the compensation amounts.

All calls will be routed via the existing equal access protocol to the carrier/debit service provider's central switching point and database for call routing. The end user's selection of carrier for both intraLATA and interLATA service will reside in the database indexed to the user's PIN. Those users without a fixed telephone will dial a nationwide 800 number to receive the identical service.

ECC's proposed system does not require the development of new network or banking technology or business expertise. It can be expanded easily to include current LECs by utilizing a voucher or cash-based Universal Service Fund and a voucher-based Lifeline assistance program. (For LECs to participate, a few minor business office software systems may be necessary.)

ECC is working expeditiously to establish a test bed for this service. The success of ECC's effort depends in large part on the FCC continuing to promote competition and innovation when formulating policies to guide subscribership and usage of the PSN.

CONCLUSION

For the reasons set forth above, ECC urges the FCC to adopt policies consistent with these Comments.

Respectfully submitted,



Craig J. Blakeley
Lauren H. Kravetz

POWELL, GOLDSTEIN, FRAZER & MURPHY
1001 Pennsylvania Avenue, N.W.
Suite 600
Washington, D.C. 20004
(202) 347-0066

Attorneys for EarthCall
Communications Corporation

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